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Eye On Housing

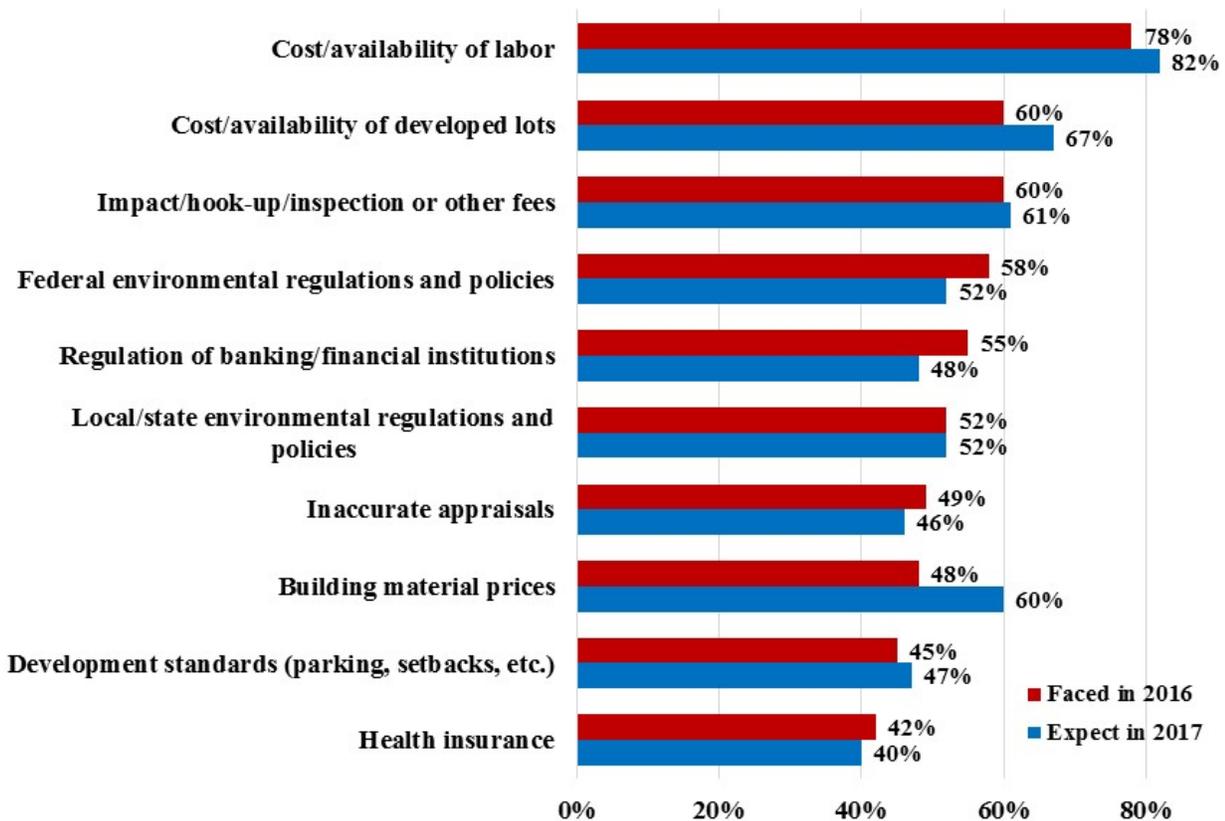
National Association of Home Builders Discusses Economics and Housing Policy

Top Challenge for Builders is Labor Cost/Availability

BY [ASHOK CHALUVADI](#) ON [JANUARY 25, 2017](#) • (0)

The monthly NAHB/Wells Fargo Housing Market Index includes a set of “special” questions on a topic of current interest to the housing industry. In December 2016, the special questions asked builders about the problems they faced in 2016 and expect to face in 2017.

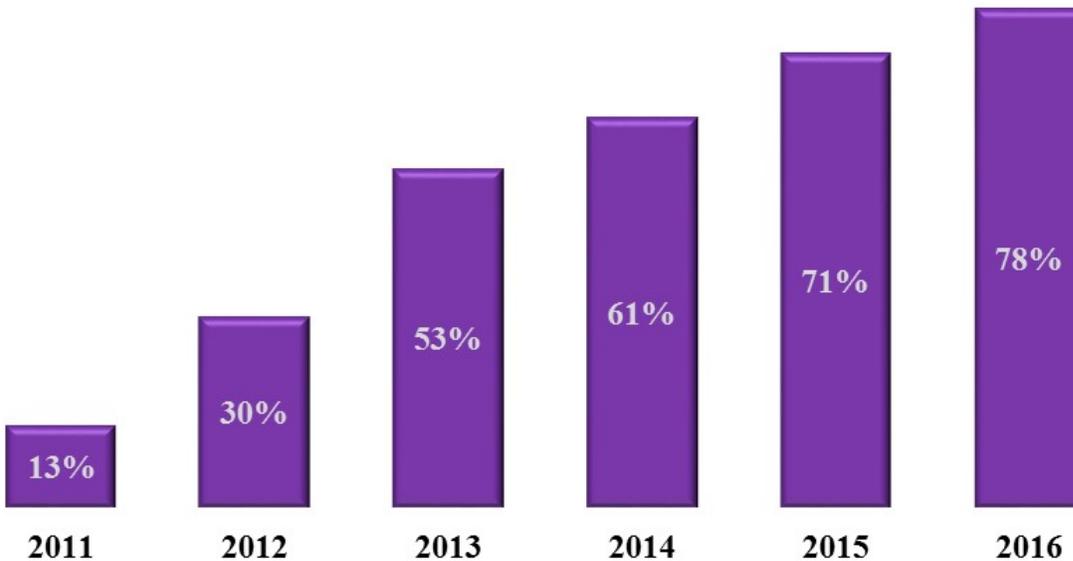
Top 10 Significant Problems Faced in 2016 and Expect to face in 2017



Source: HMI Survey, NAHB EcHp.

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Share of Single-Family Builders Reporting Labor Cost/Availability Problems



Source: HMI Survey, NAHB EcHp.

Topping the list of problems builders faced in 2016 and expect to face in 2017 is the *Cost/Availability of Labor*, a significant issue for 78% of builders in 2016 and one that has significantly grown in importance since 2011. That year, 13% of builders rated [labor as a significant problem](#), followed by 30% in 2012, 53% in 2013, 61% in 2014 and 71% in 2015.

The second most significant problem in 2016 was *Cost/Availability of Developed Lots*-cited by 60% of builders. In 2011, the *Cost/Availability of Lots* was rated significant by 21% of builders who responded to the survey. That share increased to 34% in 2012, 46% in 2013, 55% in 2014 and again to 58% in 2015. Both the availability of labor and [lots highlight the expected constraints](#) of a recovering housing market. *Impact/Hook-up/Inspection or other Fees* was a significant problem for 60% of builders in 2016. In 2013, it was a problem for 46% of builders, 52% in 2014, and 53% in 2015 and is expected to be an issue by 61% in 2017. *Federal Environmental Regulations and Policies* was a significant problem for 58% of builders in 2016. In 2013, this was rated a significant problem by 46% of builders, 53% in 2014 and then 55% in 2015.



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Regulation of Banking/financial institutions was a significant problem for 55% of builders in 2016. In 2011, it was rated a significant problem by 77% of builders. The *Local/state environmental regulations and policies* continue to be a problem for 52% of reporting builders in 2016 compared to 41% in 2011. *Building material prices* was a significant problem for 48% of builders in 2016 and expected to increase to 60% in 2017. In fact, this issue experienced the largest difference between builders noting it was an issue in 2016 and builder expectations of it as a challenge in 2017. Other issues builders expect to become more significant problems in 2017: labor, lots, and rising interest rates.

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